Annual Report

December 31, 2020 and 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Agent Information Software, Inc.

We have audited the accompanying consolidated financial statements of Agent Information Software, Inc. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agent Information Software, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Swenson Corporation

SWENSON CORPORATION

March 26, 2021

AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	**$ 2,748,159**	$ 2,678,652
Accounts receivable, trade, net of allowance of $7,250	**513,578**	649,606
Other current assets	**179,424**	191,472
Income taxes receivable	**-**	42,708
Total current assets	**3,441,161**	3,562,438
Computer software, net	**2,228,242**	2,410,434
Equipment, net	**360,478**	221,199
Deposits	**17,740**	17,740
Total assets	**$ 6,047,621**	$ 6,211,811

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2020 and 2019

LIABILITIES AND STOCKHOLDERS' EQUITY

	2020	2019
Current liabilities:		
Accounts payable, trade	$ 13,815	$ 96,352
Deferred revenue	1,640,718	1,888,602
Accrued payroll and related liabilities	204,047	263,975
Other accrued liabilities	94,246	221,626
Income taxes payable	32,993	-
Total current liabilities	1,985,819	2,470,555
Deferred income taxes	257,000	267,000
Total liabilities	2,242,819	2,737,555
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $0.001 par value, 12,000,000 shares authorized, 4,484,577 (2020) and 4,424,577 (2019) shares issued and outstanding	3,400,494	3,350,332
Preferred stock, $0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Accumulated other comprehensive loss	(96,209)	(102,163)
Retained earnings	500,517	226,087
Total stockholders' equity	3,804,802	3,474,256
Total liabilities and stockholders' equity	$ 6,047,621	$ 6,211,811

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Income

For the Years Ended December 31, 2020 and 2019

	2020	2019
Sales:		
Recurring sales	$ 5,222,595	$ 5,030,056
Non-recurring sales	132,915	530,310
Total net sales	5,355,510	5,560,366
Costs and expenses:		
Cost of sales	1,138,617	1,196,830
Research and development	408,425	260,013
Sales, marketing, and customer service	1,972,485	1,902,056
General and administrative	1,381,992	1,513,752
Total costs and expenses	4,901,519	4,872,651
Income from operations	453,991	687,715
Other income, net	58,176	7,636
Income before provision for income taxes	512,167	695,351
Provision for income tax	103,500	168,000
Net income	$ 408,667	$ 527,351
Earnings per share:		
Basic income per share	$ 0.09	$ 0.12
Weighted average shares outstanding	4,484,577	4,424,577
Diluted income per share	$ 0.08	$ 0.10
Weighted average shares outstanding	5,205,577	5,197,410

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

	2020	2019
Net income	**$ 408,667**	$ 527,351
Other comprehensive gain (loss):		
Foreign currency translation adjustments	**5,954**	37,069
Other comprehensive loss	**5,954**	37,069
Total comprehensive income	**$ 414,621**	$ 564,420

See accompanying notes to consolidated financial statements.

AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Changes in Stockholders' Equity

December 31, 2020 and 2019

	Common Stock		Retained Earnings	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	(Deficit)	Loss	Equity
Balance, December 31, 2018	4,342,577	$ 3,302,345	$ (190,650)	$ (139,232)	$ 2,972,463
Net income			527,351		527,351
Foreign currency translation				37,069	37,069
Comprehensive income					564,420
Common stock dividends			(110,614)	-	(110,614)
Common stock issuance	82,000	15,340	-	-	15,340
Stock option expense		32,647	-	-	32,647
Balance, December 31, 2019	4,424,577	3,350,332	226,087	(102,163)	3,474,256
Net income			**408,667**		**408,667**
Foreign currency translation				**5,954**	**5,954**
Comprehensive income					**414,621**
Common stock dividends			**(134,237)**	**-**	**(134,237)**
Common stock issuance	**60,000**	**23,233**	**-**	**-**	**23,233**
Stock option expense		**26,929**	**-**	**-**	**26,929**
Balance, December 31, 2020	**4,484,577**	**$ 3,400,494**	**$ 500,517**	**$ (96,209)**	**$ 3,804,802**

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income	$ 408,667	$ 527,351
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	680,468	683,131
Stock option expense	26,929	32,647
Deferred income tax expense	(10,000)	131,000
Gain on disposal of fixed assets	(18,000)	-
Changes in operating assets and liabilities	(293,952)	(42,432)
Net cash provided by operating activities	794,112	1,331,697
Cash flows from investing activities:		
Acquisitions of equipment	(184,323)	(208,843)
Proceeds from sale of fixed assets	18,000	-
Capitalized software development	(453,232)	(440,000)
Net cash used in investing activities	(619,555)	(648,843)
Cash flows from financing activities:		
Payments on long-term debt	-	(11,625)
Commons stock dividends paid	(134,237)	(110,614)
Common stock issuance	23,233	15,340
Net cash used in financing activities	(111,004)	(106,899)
Effect of exchange rate changes on cash	5,954	37,069
Net increase in cash	69,507	613,024
Cash and cash equivalents, beginning of year	2,678,652	2,065,628
Cash and cash equivalents, end of year	$ 2,748,159	$ 2,678,652
Supplemental disclosure on cash transactions:		
Cash paid during the year for income taxes	$ -	$ 40,414
Cash paid during the year for interest expense	$ -	$ 137

See accompanying notes to consolidated financial statements.

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1. Summary of significant accounting policies

Agent Information Software, Inc. (the "Company"), a Nevada corporation incorporated in 2010, including its wholly owned subsidiaries Auto-Graphics, Inc., and A-G Canada, Ltd., provides software products and services used to create, manage, publish and access information content via the Internet/Web.

Auto-Graphics, Inc., a corporation formed in 1960, provides software products and services to customers in the library community throughout the United States of America.

A-G Canada Ltd., a Canadian corporation formed in 1997, provides software products and services to customers in the library community in Canada.

Basis of presentation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Agent Information Software, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of the consolidated financial statements of the Company in conformity with accounting principles generally accepted in the Unites States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and sales and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements. Actual results may materially differ from those estimated.

Revenue recognition

The Company derives its revenues from various software subscriptions, maintenance and support services, licensing and other non-recurring services. Revenues are primarily recognized when control of the product is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components as payment is received within contract terms, at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Revenue from performance obligations satisfied at a point in time consist of licensing fees, installation, training and other non-recurring services and are recognized once the software has been accessed by the customer.

Revenue from performance obligations satisfied over time consists of SaaS (Software as a Service) services, database subscriptions and software maintenance, support services and other recurring services.

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1. Summary of significant accounting policies (continued)

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Unrealized currency translation adjustments resulting from this process are recorded to other comprehensive income and included as a component of stockholders' equity. The functional and reporting currency for operations located in Canada is the Canadian dollar. Consequently, assets and liabilities must be translated into U.S. dollars using standard exchange rates. All other Company transactions are denominated in U.S. dollars.

Credit risk

The Company performs ongoing credit evaluations of its customers and generally requires cash deposits in advance of providing services. The Company maintains a reserve for potential losses from uncollectible accounts in the form of an allowance for doubtful accounts and actual losses in 2020 and 2019 were in line with management's expectations. The Company may be exposed to credit risk for trade receivables beyond the reserves established by the Company for this purpose.

During the years ended December 31, 2020 and 2019, the Company had cash balances on hand at various financial institutions which exceeded FDIC and CDIC insured limits for periods of time.

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

Cash and cash equivalents and accounts receivables: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents at December 31, 2020 and 2019.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on reviews of outstanding amounts on a regular basis.

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1. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenue is mainly comprised of unearned revenue related to library subscription services. Unearned revenue is generally invoiced annually at the beginning of each contract period primarily for single year agreements and recognized ratably over the coverage period. Deferred revenue also includes payments the Company has been paid in advance and earns the revenue when the Company transfers control of the product or service. Customer advance payments were approximately $1,112,000 and $1,258,000 at December 31, 2020 and 2019, respectively.

Computer software

Computer software includes software development costs. The capitalization of software development costs is governed by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 985-20 if the software is to be sold, leased or otherwise marketed. Capitalization of the developed software begins after the technological feasibility of the software has been established, for software to be marketed. Software development costs primarily includes salaries and related payroll costs and costs of independent contractors incurred during development. Research and development costs incurred prior to the establishment of technological feasibility, for software to be marketed, are expensed as incurred. Software development costs, for software to be marketed, are amortized using the straight-line method over its estimated useful life, which is seven years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Equipment

Equipment is stated at cost less accumulated depreciation and amortization. Leasehold improvements are amortized over the shorter of the useful life of the asset or the term of the lease. Depreciation and amortization are based on the straight-line method over the estimated useful life of the asset and commences in the year the asset is placed in and/or is available for service or sale using the half-year convention method.

Depreciation and amortization are calculated over the following estimated useful lives:

Computer equipment	5 years
Furniture and fixtures	3 - 10 years
Other equipment	3 - 5 years
Leasehold improvements	Shorter of economic life or term of the lease

(Continued)

1. Summary of significant accounting policies (continued)

Equipment (continued)

Equipment at December 31 consists of the following:

	2020	2019
Computer equipment	**$ 214,502**	$ 237,929
Furniture and fixtures	**218,737**	218,737
Other equipment	**412,859**	299,541
Leasehold improvements	**73,382**	73,383
	919,480	829,590
Less accumulated depreciation and amortization	**559,002**	608,391
Equipment, net	**$ 360,478**	$ 221,199

For the years ended December 31, 2020 and 2019, depreciation expense was $45,004 and $50,993, respectively.

Impairment of long-lived assets

In accordance with the FASB ASC 360, *Property, Plant and Equipment,* long-lived tangible and intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company periodically assesses the recoverability of the carrying amounts of long-lived assets. An impairment loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the difference by which the carrying amount of the asset exceeds its fair value. There were no impairment losses or reserves as of December 31, 2020 and 2019.

Dividends

The Company declared and paid cash dividends per share during the year ended December 31, 2020 and 2019 totaling $134,237 and $110,614, respectively. Future dividends are subject to declaration by the Board of Directors.

(Continued)

1. Summary of significant accounting policies (continued)

Earnings per share

Basic and diluted earnings per share computations presented by the Company conform to the standard and are based on the weighted average number of shares of common stock outstanding during the year.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	Net income	Shares	Per share
Year ended December 31, 2020			
Basic earnings per share			
Net income available to common stockholders	**$ 408,667**	**4,467,077**	**$ 0.09**
Effect of dilutive securities stock options	**-**	**738,500**	
Diluted earnings per share			
Net income available to common stockholders	**$ 408,667**	**5,205,577**	**$ 0.08**
Year ended December 31, 2019			
Basic earnings per share			
Net income available to common stockholders	$ 527,351	4,405,244	$ 0.12
Effect of dilutive securities stock options	-	792,166	
Diluted earnings per share			
Net income available to common stockholders	$ 527,351	5,197,410	$ 0.10

Share-based compensation

The Company recognizes in the consolidated financial statements all costs resulting from share-based payment transactions at their fair values. Compensation cost for the portion of the awards for which the requisite service had not been rendered that were outstanding as of May 10, 2005 is recognized in the consolidated statements of income over the remaining service period after such date based on the award's original estimate of fair value. Share-based compensation expense recognized for employees and directors for the years ended December 31, 2020 and 2019 was approximately $27,000 and $32,600, respectively, and is included in general and administrative expense. For the years ended December 31, 2020 and 2019, cash flows from operations and cash flows from financing activities were not affected.

The Company determined the fair value of share-based payment awards to employees and directors on the date of grant using the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited, to the Company's expected stock price volatility over the expected term of the awards, and actual and projected employee stock option exercise behaviors.

The Company used the simplified method to determine an award's expected term and the Company's historical volatility to approximate expected volatility.

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1. Summary of significant accounting policies (continued)

Share-based compensation (continued)

The Company has elected to adopt the detailed method for calculating the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee share-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee share-based compensation awards that are outstanding. (See Note 6)

Comprehensive income

Comprehensive income consists of net income and other gains and losses that are not included in net income, but are recorded directly in the consolidated statements of stockholders' equity, such as the unrealized gains and losses on the translation of the assets and liabilities of the Company's foreign operations and gains or losses.

Income taxes

The Company accounts for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences that have been included in the consolidated financial statements or tax returns. Deferred taxes are recognized for all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is provided for deferred tax assets, if it is more likely than not that the Company will not realize those tax assets through future operations.

The Company evaluates and accounts for uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which requires that management review uncertain tax positions taken and evaluate whether it is more likely than not that the tax position will be sustained as a result of an audit. Tax positions that are uncertain and do not meet the criteria for more likely than not are adjusted by a valuation account related to the amount for which is uncertain. Management believes that all tax positions taken to date are highly certain and accordingly, no accounting adjustments have been made to the consolidated financial statements. The Company is subject to federal income tax, California franchise tax and various taxes in other states.

Concentrations

During the year ended December 31, 2020 and 2019, there were no customer accounts which represented more than 10% of the Company's net sales. There were two and three customer accounts which represented more than 10% of the Company's accounts receivable as of December 31, 2020 and 2019, respectively, and all accounts were subsequently collected after year end.

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1. Summary of significant accounting policies (continued)

Accounting standard updates

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (ASC 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year, using the modified retrospective method.

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

The majority of the Company's revenue is recognized over time as services are delivered or performed in accordance with the contract agreements. The Company also has revenues that are recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have a significant impact on the Company's financial position, results of operations, or cash flows. The majority of the Company's revenue arrangements generally consist of a performance obligation to transfer promised services over a period of time. Based on the Company's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption. The Company began invoicing the full contract in 2019. The Company recognized an increase in accounts receivable and deferred revenue totaling $517,000.

In February 2016, the FASB issued ASU 2016-02 on *Leases.* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The FASB issued ASU 2020-05 which extended the effective date for all nonpublic and other entities to fiscal years beginning after December 15, 2021. Early application of the amendments in this Update is permitted for all entities. The Company is currently evaluating the new guidance to determine the impact the adoption of this guidance will have on the Company's results of operations, cash flows and financial condition.

2. Line of credit

The Company has a bank revolving line of credit agreement that provides for maximum borrowings up to $250,000 at rates varying from Prime (as published in the Western Edition Wall Street Journal) plus .5%, but not less than 4.25% at any time (4.25% at December 31, 2020). The line of credit matures on October 25, 2021.

Borrowings under the agreements were for general working capital purposes. The line of credit is collateralized by substantially all of the assets of the Company and is guaranteed by one of the stockholder-officers' of the Company. The Company had no outstanding balances on this line of credit as of December 31, 2020.

3. Income taxes

The provision for income taxes consists of the following for the years ended December 31:

	2020	2019
Current income taxes based on income		
Federal	$ 91,000	$ 9,000
State	22,500	28,000
Foreign	-	-
Total current income tax expense	113,500	37,000
Deferred income taxes based on income		
Federal	(7,000)	132,000
State	(3,000)	(4,000)
Foreign	-	3,000
Total deferred income tax expense	(10,000)	131,000
Total income tax expense	$ 103,500	$ 168,000

A reconciliation of the provision for income taxes based on income follows for the years ended December 31:

	2020	2019
Statutory rate	21%	21%
Statutory U.S. Federal income tax	$ 108,000	$ 153,000
Permanent differences	(17,500)	10,000
State tax, net of federal tax	15,000	20,000
Change in federal valuation allowance	-	-
Adjustments in foreign tax and other	(2,000)	(15,000)
Total income tax expense	$ 103,500	$ 168,000

(Continued)

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3. Income taxes (continued)

The deferred income tax assets and liabilities are composed of the following at December 31:

	2020	2019
Deferred income tax assets		
Bad debts/accrued vacation/other	**$ 51,000**	$ 42,000
Net operating loss	**50,000**	319,000
Fixed assets/other	**52,000**	58,000
	153,000	419,000
Valuation allowance	**(50,000)**	(319,000)
	103,000	100,000
Deferred income tax liabilities:		
Tax over book amortization and depreciation	**(360,000)**	(367,000)
Net deferred income taxes	**$ (257,000)**	$ (267,000)

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reported in the Company's consolidated financial statements or tax returns. The valuation allowance at December 31, 2020 and 2019 reflects an unrecognized U.S. and foreign tax loss carryforward. At December 31, 2020 and 2019, the Company had available net operating loss carryforwards of $190,000 and $82,000 for state and foreign income tax purposes, respectively. These net operating loss carryforwards expire from 2030 to 2031 and 2034 to 2036 for state and foreign taxes, respectively.

4. Commitments and contingencies

The Company leases its corporate office facility from an independent third party. The base rent is $11,944 per month and calls for annual increases to the monthly base rent. The lease is expires July 31, 2025. Rental expense was approximately $143,000 and $137,000 for the years ended December 31, 2020 and 2019, respectively.

The Company leases a storage facility from an independent third party. The monthly rent is $2,569. The three-year storage lease expires April 30, 2022. Rental expense was approximately $31,000 and $28,000 for the years ended December 31, 2020 and 2019, respectively.

The following approximates future minimum lease commitments for the years ended December 31:

2021	$ 181,000
2022	161,000
2023	153,000
2024	158,000
Thereafter	94,000
Total minimum lease payments	$ 747,000

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5. Related party transactions

The Company paid to directors a total of $90,000 and $68,000 in director fees for the years ended December 31, 2020 and 2019, respectively.

6. Stockholders' equity

2010 Qualified and non-qualified stock option plan

The Company adopted a qualified and non-qualified stock option plan on January 5, 2010 for 1,000,000 options. The 2010 Stock Option Plan was amended on August 25, 2011 to accelerate vesting of options to 100% before a change in control.

2020 Qualified and non-qualified stock option plan

The Company adopted a qualified and non-qualified stock option plan on January 28, 2020 for 500,000 options.

Under the plans, the stock option price per share for options granted is determined by the Board of Directors and is based on the market price of the Company's common stock on the date of grant. The stock options vest over five years and no option can be exercised later than ten years from the date it was granted.

The Company determined compensation cost based on the fair value for its fully vested stock options at grant date. As of December 31, 2020 and 2019, the Company's total compensation expense recorded from inception-to-date (net of tax) was approximately $107,000 and $162,000, respectively.

The fair value for these options was estimated at the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants at December 31:

	2020	2019
Expected life	**5 years**	5 years
Risk-free interest rate	**3.3%**	3.3%
Expected volatility	**30%**	30%
Dividend yield	**3%**	0%
Fair value of options granted at fair market price	**$ 0.39**	$ 0.20

All options granted were at the fair market price.

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6. Stockholders' equity (continued)

Transactions involving stock options for the years ended December 31, 2020 and 2019 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2018	827,333	$ 0.44
Granted	50,000	1.85
Exercised	(82,000)	-
Forfeited	(10,000)	-
Balance at December 31, 2019	785,333	0.48
Granted	**105,000**	**2.02**
Exercised	**(60,000)**	**-**
Forfeited	**(78,000)**	**-**
Balance at December 31, 2020	**752,333**	**$ 0.51**

Additional information with respect to the stock options outstanding and exercisable as of December 31, 2020 and 2019 is as follows:

	Options Outstanding			Options Exercisable	
Option Exercise Price Range	Number of Shares	Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number of Shares	Average Exercise Price
$0.10 to 0.29	20,000	3.26	$ 0.16	20,000	$ 0.16
$0.30 to 0.49	147,000	4.87	0.36	147,000	0.36
$0.50 to 0.69	383,666	6.23	0.50	295,777	0.50
$0.70 to 0.89	46,667	7.49	0.81	31,267	0.81
$1.70 to 1.89	115,000	6.57	1.83	16,500	1.85
$2.30 to 2.49	40,000	9.68	2.36	-	-
	752,333	6.57	$ 0.56	510,544	$ 0.51

7. 401(k) Plan

The Company sponsors a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code for the benefit of its U.S. based employees. All full-time employees are eligible to participate. The Company pays the administrative expenses of the plan. Annually, the Company may, at its sole discretion, award an amount as a match against employee contributions to the 401(k) plan. The Company contribution was approximately $35,000 and $54,000 for the years ended December 31, 2020 and 2019, respectively.

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8. Supplemental disclosures of consolidated cash flow information

The changes in the components of the operating assets and liabilities in the consolidated statements of cash flows, for the years ended December 31 are as follows:

	2020	2019
(Increase) decrease in assets:		
Accounts receivable, net	**$ 136,028**	$ (536,460)
Other current assets and deposits	**12,048**	(96,014)
Income taxes receivable	**42,708**	-
Increase (decrease) in liabilities:		
Accounts payable, trade	**(82,537)**	50,320
Deferred revenue	**(247,884)**	361,434
Accrued payroll and related liabilities	**(59,928)**	130,384
Other accrued liabilities	**(127,380)**	130,079
Income taxes payable	**32,993**	(82,175)
	$ (293,952)	$ (42,432)

9. Computer software

Computer software as of December 31, 2020 and 2019 consists of the following:

Computer software	**$ 4,880,348**	$ 4,427,116
Less, accumulated amortization	**2,652,106**	2,016,682
Computer software, net	**$ 2,228,242**	$ 2,410,434

For the years ended December 31, 2020 and 2019, amortization expense was $635,424 and $625,776, respectively.

10. Subsequent events

Management has evaluated subsequent events through March 26, 2021, the date on which the consolidated financial statements were available to be issued.

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen. The Company has not observed a material impact on our existing sales; however, it is possible that some of our customers may be impacted negatively. At this time, the potential impact on new sales is unknown.